Contributions to the Plan

Your savings plan account grows through contributions from MBNA and from you, if you choose to contribute. All contributions are calculated using your base pay.

Base Pay

For the savings plan, your base pay is the amount you currently receive for performing services for MBNA. It *includes* your before-tax contributions to the health care and dependent day care flexible spending accounts, if any. However, base pay does *not* include overtime, shift differential, bonuses, commissions, severance pay, or other forms of compensation.

Because the plan must pass government-imposed tests each year, periodically, company contributions and/or voluntary contributions may be restricted for certain "highly compensated" participants. You will be notified if you are impacted by these restrictions. (See page 12.)

MBNA Automatic 1% Contributions

When you become a participant, MBNA automatically contributes to your savings plan account each payroll period. This contribution—equal to 1% of your base pay—is referred to as the "MBNA automatic 1% contribution."

Your Voluntary Contributions

You can make voluntary contributions to the plan on either a before-tax or an after-tax basis, or both. For each payroll period, you can contribute from 1% to 12% of your base pay on a before-tax basis, and from 1% to 10% of your base pay on an after-tax basis. Contributions must be made in whole percentages. The maximum voluntary contribution with before-tax and after-tax dollars combined is 17% of your base pay.

About Before-Tax and After-Tax Contributions

You should be aware of these points regarding before-tax and after-tax contributions:

- *Before-tax* contributions save you taxes: You pay no current federal income tax on these contributions. However, you do pay Social Security and Medicare taxes on your contributions. As a result, your before-tax contributions will not reduce the Social Security benefit to which you're entitled when you retire. Also, contributions will not reduce the earnings used to calculate your benefits under the various benefit programs offered by MBNA, including the pension plan.

  In most states, you also pay no state income tax on your before-tax contributions until the time of distribution. However, in Pennsylvania, state income taxes do apply. And, you'll also pay local taxes on your contributions if you live in certain cities such as Wilmington, DE; Cleveland, OH; or Philadelphia, PA. You will have to pay federal income taxes on these contributions and any earnings in the future when they are distributed to you from the plan.

- *After-tax* contributions are made from your compensation after all federal income, Social Security and Medicare, state, and local taxes have been deducted. However, you won't have to pay federal income tax on these contributions in the future when they are distributed to you from the plan. You will pay taxes on any earnings on these contributions when you receive them.

After-tax contributions are more accessible. In general, your before-tax contributions can only be withdrawn if you meet the federal government's definition of "financial hardship" (see page 26). After-tax contributions can be withdrawn for any reason, but some restrictions and penalties may apply if the contributions were previously matched. (See pages 24–25.)

Many people contribute both before and after taxes. Others contribute only before taxes, because they want the current tax savings and know they're saving for the long term—for retirement or a child's college tuition, for example. Still others contribute only after taxes because they're willing to forego the current tax savings to ensure they have more access to their money. Of course, the plan allows you to borrow against your account, which gives you some access to both kinds of savings. Consider your own priorities and financial goals when determining which approach is right for you.

Tax Savings Example

This example illustrates how contributing to the MBNA Savings Plan before taxes can reduce your current taxes. Dave and Sarah both earn $25,000 per year, and both decide to save 6% (or $1,500) of their pay during the year. However, Dave decides to save *after* taxes, while Sarah saves *before* taxes.

	Dave (After-Tax Savings)	Sarah (Before-Tax Savings)
Annual pay	$25,000	$25,000
Before-tax savings	- 0	- 1,500
Taxable pay	$25,000	$23,500
Federal income tax*	- 2,865	- 2,640
Available pay	$22,135	$20,860
After-tax savings	- 1,500	- 0
Take-home pay	$20,635	$20,860

Tax savings with before-tax contributions: **$225**

In this example, Sarah has $225 *more* take-home pay than Dave because she saved before taxes.

* The example is based on a tax rate of 15% and assumes both people file as single taxpayers and claim one exemption and the standard deduction. The example is simplified and does not include Social Security and Medicare taxes because these taxes stay the same whether you save before or after taxes.

MBNA Matching Contributions

If you make voluntary contributions, MBNA will match 50% of the first 6% of base pay you set aside each payroll period, whether you save with before-tax or after-tax dollars. These MBNA matching contributions are one way MBNA encourages you to save for your future.

The plan was designed so that you'll have the best possible access to the money in your account. For that reason, MBNA matches all your before-tax contributions (up to 6%) before it begins to match after-tax contributions. This way, your after-tax contributions are more accessible if you need a withdrawal.

MBNA matching contributions are made on a before-tax basis. As a result, you'll pay federal income taxes and in some cases state and local taxes on these contributions and their earnings when you receive them from the plan.

How Your Voluntary Contributions Are Matched

Suppose you contribute 9% of your base pay. This example shows how your contributions will be matched, depending on how you contribute to the plan:

Your Before-Tax Contributions	Your After-Tax Contributions	MBNA Matching Contributions
4% of base pay	5% of base pay	On 4% of before-tax contributions and on 2% of after-tax contributions
6% of base pay	3% of base pay	On 6% of before-tax contributions and on none of the after-tax contributions
0% of base pay	9% of base pay	On 6% of after-tax contributions

See the "Withdrawal Rules" beginning on page 24 for a further explanation.

Rollover Contributions

If you receive a lump-sum payout from a former employer's savings, profit sharing, or pension plan, you may be able to "roll over" all or part of the taxable portion of the distribution to the MBNA 401(k) Plus Savings Plan. That way, you may be able to continue to defer paying taxes on the value of the tax-sheltered benefits accumulated under the prior plan. (Distributions that are life annuities or installments over 10 years are not eligible rollovers.) See below for details on how a rollover should be made. Also keep in mind that while you cannot roll over any after-tax contributions, you may roll over earnings on those contributions.

If you receive an eligible rollover distribution from a previous employer's plan in the form of a check made payable to you, you must make a rollover within 60 days of receiving the payment. You may have received an eligible rollover distribution from a previous employer's plan and rolled all or part of the taxable portion over into an IRA. In that case, you can make a rollover of those funds into the MBNA plan, provided the portion you received from the previous employer's plan was not commingled with other IRA funds. In addition, you may also make a "direct rollover" of eligible rollover distributions from a previous employer's plan or conduit IRA. In this case, the former employer's plan or conduit IRA will make the distributions directly to the MBNA plan or provide you with a check payable only to the MBNA plan. Before you may make a rollover to the MBNA 401(k) Plus Savings Plan, you must get written permission from the Plan Administrator and complete a rollover form.

You can make a rollover contribution **before** you're eligible to participate in the plan. You're immediately 100% vested in the rollover and can take a loan from the amount you rolled over.

Rollovers are credited to your account as soon as administratively possible after the Benefits department receives your rollover form and check.

Vesting

You're always 100% vested in your savings plan account balance. "Vesting" is the process by which you acquire the nonforfeitable right to receive a benefit from the plan.

Changing Your Contributions

You can change your own contributions to the plan once a month at any time during the month. Changes include increasing or decreasing your contributions, changing how your contributions are invested, changing between before-tax and after-tax contributions, or stopping or starting contributions.

To make a contribution change, call *401(k) Plus Express*—1-800-714-401k. Contribution changes are generally effective on the first day of the payroll period during which you make your *401(k) Plus Express* transaction, provided you request the transaction by 4 p.m. Eastern time on the Wednesday before paychecks are issued. Otherwise, your change will be effective on the first day of the next payroll period. If your change will affect the MBNA matching contribution, that contribution will change at the same time.

LIMITS ON CONTRIBUTIONS

In return for the favorable tax treatment allowed for 401(k) savings plans, the federal government places some limits on contributions. (These limits are adjusted periodically to compensate for inflation.) You'll be notified if you're affected by any of the following limits:

- The plan must pass certain tests, showing nondiscriminatory participation among MBNA people at various pay levels. To pass these tests, it might be necessary to limit your contributions or MBNA's automatic and matching contributions for you if you are considered by government rules to be "highly compensated."
- The amount of your before-tax contributions (not including rollovers) for any calendar year cannot exceed an annual limit. In 1997, the limit was $9,500; in 1998 and 1999, $10,000; in 2000, $10,500.
- There is a maximum level of compensation that can be considered for purposes of determining contributions to the plan. As of January 1, 2000, that limit is $170,000. Therefore, in 2000, MBNA's automatic 1% contribution would never exceed $1,700 per individual, regardless of one's income.
- Total contributions to your account in a plan year may not be more than 25% of your annual compensation or $30,000, whichever is less. The total contributions subject to this limit include the MBNA automatic 1% contribution, all your voluntary contributions (*except* rollovers), and matching contributions.

Investing Your Account

All contributions to your savings plan account are held in trust and invested at your direction. The plan offers the following funds: the Fixed Income Fund, the Bond Fund, the Diversified Fund, the Index Fund, the Growth Fund, the Moderate Aggressive Fund, the Aggressive Growth Fund, and the MBNA Stock Fund. You can invest in any or all of the funds in increments of 5%, with a minimum of 5% in any one fund. Voluntary contributions to the MBNA Stock Fund are limited to 25% of your total contribution.

The following list of funds (with the fund managers) is shown in what is generally considered to be order of risk and potential return, from lowest risk and return to highest:

MBNA 401(k) Plus Savings Plan Fund	Investment Fund	Investment Manager
The Fixed Income Fund	The Fixed Income Fund	Dwight Asset Management
The Bond Fund	The Bond Fund of America	Capital Research and Management Company
The Diversified Fund	The American Balanced Fund	Capital Research and Management Company
The Index Fund	Barclays Global Investors Equity Index Fund	Barclays Global Investors
The Growth Fund	MFS Research	Massachusetts Financial Services Investment Management
The Moderate Aggressive Fund	Baron Asset	Baron Capital Group, Inc.
The Aggressive Growth Fund	PBHG Growth	Pilgrim Baxter and Associates, Ltd.
The MBNA Stock Fund	The MBNA Stock Fund	Not Applicable

Overviews of the Funds

The following information will help you begin to understand the objectives of our plan's funds and their investment profiles. For additional details, please see the fund prospectuses and information sheets, available through *401(k) Plus Express.*

- *The Fixed Income Fund* seeks to provide a stable rate of return with safety of principal and liquidity as primary objectives. The fund invests in a diversified portfolio of high-quality, fixed income investments including Guaranteed Investment Contracts (GICs) issued by major insurance companies, fixed income securities issued by the U.S. Government and its agencies, and other high-quality investments. These investments provide a fixed rate of return for a specified time period, and they are guaranteed by the issuer. The overall return from the fund will reflect the combined rates of all the contracts and will generally track yields of intermediate, high-quality investments such as three-year CDs or Treasury notes. The fund has the lowest market risk of the MBNA 401(k) Plus Savings Plan funds.

- *The Bond Fund* invests in corporate bonds, U.S. Government fixed income securities, and money market instruments. Over time, the return has generally been higher than that of the Fixed Income Fund, although returns will vary depending on market performance. As with the Fixed Income Fund, the Bond Fund's objective is to preserve capital and provide current income.

- *The Diversified Fund* invests in stocks, bonds, and U.S. Government Notes. Over time, the return has generally been higher than that of the Bond Fund, although returns will vary depending on market performance. This fund's objectives are to preserve capital and provide current income, while seeking long-term growth of both capital and income. However, this fund's value can increase or decrease, and there is more market risk than with the Fixed Income and Bond Funds.

- *The Index Fund* invests in the stock of all of the companies included in the Standard & Poor's 500 stock index, so it provides results that correspond to the performance of the Index. The Index is made up of stocks of 500 large companies and reflects the overall stock market performance. The fund's investment objective is to replicate the returns of the S&P 500 companies. Because the value of the stocks will vary, this fund's value may increase or decrease.
- *The Growth Fund* invests in stocks of a wide range of companies, predominantly medium to large in size, with high potential for growth of capital. The value of this fund will increase or decrease as the value of the stocks in the fund go up or down. The potential for return is greater in this fund than in the Index Fund because it is seeking out companies with significant potential for growth. At the same time, the potential for loss is also greater.
- *The Moderate Aggressive Fund* seeks capital appreciation by investing in special business niches and unusually favorable business opportunities that both benefit from long-lasting economic trends—with a special focus on the buying habits of the general population. In its research, this fund also looks for businesses with strong management capabilities and strong balance sheets. It invests primarily in a mix of stocks from the services, financial, and health sectors. This fund's investment approach has a higher level of risk and is more in line with a longer-term investment plan.
- *The Aggressive Growth Fund* invests in stocks primarily of small- and medium-sized companies that have an outlook for strong earnings growth and the potential for significant capital appreciation. The value of this fund will increase or decrease as the value of the stocks in the fund go up or down. The potential for return is greater in this fund than in the Index and Growth Funds because it invests in securities of issuers with small or medium market capitalizations. At the same time, investments in small and medium capitalization companies involve greater risk and price volatility than those customarily associated with investments in larger, more established companies.

- *The MBNA Stock Fund* is made up of MBNA common stock, so you have a share in the company's growth and success if you invest in this fund. This fund will also collect the per-share dividends and reinvest them in MBNA stock. The return from this fund will vary according to the stock's performance. Remember that this fund has only one investment, and the fund's performance is entirely dependent on that one stock.

Your Investment Strategy

Deciding how to invest your savings is a very personal matter. Your decisions depend on your financial goals and other factors. For example, you'll need to think about the number of years you have until retirement and whether you consider yourself security-oriented or more of a risk taker. Here are a few concepts you should think about before making your investment decisions.

Risk

There are several different types of risk that investors need to be aware of. These include, but are not limited to, the risk that a particular investment does not keep pace with inflation, that an issuer of stock becomes insolvent and fails to repay its obligation, and that an investment value may decrease as well as increase. The latter is known as market risk, referring to the volatility of the investment, or how much it can go up or down. Risk means that your principal—the money you've invested—can decrease in value. It also refers to the changes (up or down) in the rate of return.

Return

Return is the money your account earns, through an increase in the market value of the fund's holdings, dividend payments, or interest payments. Of course, a fund can experience a negative return—that is, a loss—as well as a positive return, or gain.

Relating Risk and Return

Generally, the higher the market risk of an investment, the higher the *potential* return over the long term.

Timing

As you make your investment decisions, it's important to consider timing. In the *short term,* the fluctuations associated with higher market risk (high volatility) investments can affect your account balance—positively or negatively—at any time. You may not have the opportunity to "wait out" a slump in the value of your investment. Investments in lower risk funds are generally more secure.

On the other hand, the volatility of funds with higher market risk is a less critical factor *over the long term.* Despite periodic ups and downs in returns, higher-risk funds historically (but not always) outperform lower-risk funds over the long term.

Diversification

Diversification means spreading your investments across various funds, or in other words, putting your financial eggs in more than one basket. Many people diversify their investments to protect their savings; if one investment fund drops in value, losses can be offset by investment gains in other funds. Diversification is a way of decreasing risk, even if you're investing in higher-risk funds.

Your Investment Priorities

No matter what the experts say, you have to be comfortable with your investment decisions. Before you decide on your investment strategy, take the time to think about your priorities. This way, you'll be able to balance your financial goals with your own investment preferences.

If You Don't Choose Investment Funds

All contributions to the savings plan must be invested. So if you don't choose investment funds when you become a participant, contributions to your account will be invested automatically for you in the Fixed Income Fund. However, take the time to decide on investment funds for yourself, because it's important to choose an investment portfolio that suits your needs and your comfort with risk. Also, remember that you'll need to designate your beneficiaries when you first become eligible to participate in the plan.